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Message Text

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ACTION EB-11

INFO OCT-01 EUR-25 EA-11 ISO-00 SSO-00 NSCE-00 USIE-00

INRE-00 FEA-02 INT-08 AGR-20 AID-20 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 SCI-06 NSC-10

SS-20 STR-08 CEA-02 L-03 H-03 PRS-01 PA-04 DODE-00

PM-07 IO-14 DRC-01 NEA-11 /233 W
---------- 037292
O R 211458Z JAN 74
FM AMEMBASSY COPENHAGEN
TO SECSTATE WASHDC IMMEDIATE 8353
INFO AMEMBASSY BONN
USMISSION EC BRUSSELS UNN
AMEMBASSY BRUSSELS
AMEMBASSY DUBLIN
AMEMBASSY THE HAGUE
AMEMBASSY HELSINKI
AMEMBASSY LONDON
AMEMBASSY LUXEMBOURG
AMEMBASSY OSLO
AMEMBASSY OTTAWA
AMEMBASSY PARIS
USMISSION OECD PARIS UNN
AMEMBASSY ROME
AMEMBASSY STOCKHOLM
AMEMBASSY TOKYO

C O N F I D E N T I A L COPENHAGEN 0176

E.O. 11652 GDS
TAGS: ENRG, DA
SUBJ ENERGY: PREPARATIONS FOR INTERNATIONAL
ENERGY CONFERENCE

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REF: STATE 12410

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1. DANISH ATTITUDE TOWARD ENERGY CONFERENCE.
DANES SEE ENERGY CRISIS AS MAJOR TEST OF COMMU-
NITY'S ABILITY TO MOVE TOWARD CLOSER COOPERATION
BEYOND CUSTOMS UNION. BEING SMALL STATE, WITHOUT
ENERGY RESOURCES OF ITS OWN AND HEAVILY DEPEND-
ENT ON OIL PRODUCT IMPORTS FROM OTHER EC STATES,
DENMARK HAS LARGE STAKE IN DEVELOPMENT OF GENUINELY
COOPERATIVE EC ENERGY POLICY. WITH THIS PRINCI-
PAL FOCUS, DANISH OFFICIALS ARE ENTHUSIASTIC
ABOUT US INITIATIVE, HOPING IT WILL PROVIDE MA-
JOR IMPETUS TO DEVELOPMENT OF EC ENERGY POLICY,
ULTIMATELY ENCOMPASSING JOINT BARGAINING WITH
PRODUCER STATES WHICH DENMARK DOES NOT HAVE
STRENGTH TO PURSUE BILATERALLY. DANES WILL,
THEREFORE, CONTINUE TO PUSH HARD WITHIN COMMU-
NITY TOWARD COMMON (OR, AT LEAST, COORDIAATED)
EC POSITION ON CONFERENCE. THEY WOULD CERTAINLY
SUPPORT CREATION OF FRAMEWORK WITHIN WHICH CON-
SUMER AND PRODUCER STATES CAN REASONABLY NEGOTI-
ATE, POOLED R & D ON ALTERNATIVE SOURCES OF ENERGY
AND, IN PARTICILAR, ARRANGEMENTS FOR EQUITABLE
SHARING OF ENERGY SOURCES, BOTH WITHIN THE
COMMUNITY AND IN THE LARGER CONTEXT. THEY HAVE
NOT SHOWN ANY QUALMS ABOUT OFFENDING PRODUCER
STATES BY ARRANGEMENTS AMONG CONSUMERS. IN FACT,
LEADING OFFICIALS OF PRESENT, AS WELL AS PREVI-
OUS, GOVERNMENT HAVE, IN PUBLIC STATEMENTS,
EMPHASICALLY CALLED FOR SUCH CONSUMER COOPERATION--
TO POINT WHERE LAST NOVEMBER SERVERAL ARAB STATES
THREATENED TO INCLUDE DENMARK IN THEIR BOYCOTT.

2. SPECIAL SENSITIVITIES. WITH SOME
JUSTIFICATION, DANES BELIEVE THAT THE ENERGY
CRISIS HAS AFFECTED THEM MORE SERIOUSLY THAN OTHER
EC COUNTRIES AND THAT THEY CONTINUE TO BE HIGHLY
VULNERABLE TO BOTH SUPPLY AND PRICE DEVELOPMENTS.
THEY ARE STRONGLY OPPOSED TO BILATERAL DEALS
WITH PRODUCER COUNTRIES. BOTH FOREIGN MINISTER
GULBERG AND FORMER FOREIGN ECONOMIC MINISTER
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NORGAARD LAST WEEK ACCUSED UK, FRANCE AND GERMANY
OF OPERATING COUNTRARY TO THE SPIRIT, AND POSSIBLY
LETTER, OF THE ROME TREATY IN NEGOTIATING BILA-
TERAL DEALS TO ASSURE OIL SUPPLIES. THIS SPE-
CIAL SENSITIVITY CAN BE SUPPORTIVE OF US POSI-
TION, ALTHOUGH DANES WOULD PROBABLY NOT WANT
TO PLACE THEMSELVES IN FORMAL OPPOSITION TO
ANY MAJOR EC COUNTRY AT CONFERENCE.

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3. BACKGROUND: OIL SHORTAGES. PRESENT ENERGY CRISIS HIT DENMARK PARTICULARLY HARD BECAUSE (A) IT HAS REFINING CAPACITY FOR LESS THAN HALF OF NORMAL CONSUMPTION, (B) CRUDE IMPORTS HAVE TO BE TRANSSHIPPED (NORMALLY VIA ROTTERDAM) BECAUSE DANISH OIL PORTS CANNOT HANDLE SUPER TANKERS, (C) PRODUCT IMPORTS (MOSTLY FROM EC COUNTRIES) BECOME QUESTIONABLE AS ORIGIN COUNTRIES APPLY CONTROLS ON EXPORTS, (D) DENMARK HAS PAU-CITY OF STORAGE FACILITIES, AND EVEN EXISTING TANKS WERE ONLY PARTLY FULL AT OUTSET OF ENERGY CRISIS. SINCE DENMARK IS ALMOST 90 PERCENT DE-PENDENT ON IMPORTED OIL FOR ITS ENERGY SOURCE MATERIALS, THE GOVERNMENT, STRONGLY ENCOURAGED BY MAJOR OIL COMPANIES, FELT IT HAD TO TAKE DRAS-TIC MEASURES EARLY TO CURTAIL CONSUMPTION, PAR-TICULARLY OF DISTILLATES AND RESIDUALS. ON NOVEMBER 19, IT CUT AVAILABILITIES OF OIL FOR HEATING BY 25 PERCENT, REDUCED SPEED LIMITS AND PROHIBITED SUNDAY DRIVING. BY END OF NOVEMBER, GOVERNMENT ALSO REDUCED OIL FOR INDUSTRIAL USE BY 25 PERCENT AND CUT BACK FUELS FOR TRANSPORTA-TION, OTHER THAN MOTOR GASOLINE, BY 20 PERCENT. THESE RESTRICTIONS REMAIN IN FORCE AND NO CHANGE (EITHER UP OR DOWN) IS CURRENTLY PLANNED, AL-"THOUGH GASOLINE RATIONING MAY BE CONSIDERED IN SPRING AS REPLACEMENT FOR BAN ON SUNDAY DRIVING.

4. BACKGROUND: EFFECTS ON ECONOMY. GOVERN-MENT ECONOMICISTS ASSUME OIL CONSUMPTION WILL BE DOWN ABOUT 10 PERCENT IN 1974 AS RESULT OF BOTH SUPPLY CURTAILMENTS AND PRICE ELASTICITY EFFECTS. CONFIDENTIAL

WITH CONTINUING RESTRICTIONS ON GENERAL PUBLIC USE , NEARLY ADEQUATE FUEL SUPPLY FOR AGRICULTURE AND INDUSTRY SHOULD BE ASSURED. FARM PRODUCTION SHOULD REMAIN HIGH AND DEMAND, BOTH DOMESTIC AND FOREIGN, SHOULD REMAIN ADEQUATE. INDUSTRIAL PRODUCTION IS BIG QUESTION MARK. CURRENT GUESS IS THAT AGGREGATE DOMESTIC DEMAND WILL RISE ONLY FRANCTIONALLY THIS YEAR, IF AT ALL; EXPORT DEMAND WILL DEPEND PRINCIPALLY ON CONDITIONS IN FOR-EIGH MARKETS. DESPITE RISING COSTS OF FUEL AND OTHER RAW MATERIALS, WHICH SIMILARLY AFFECT DENMARK'S COMPETITORS, DANISH INDUSTRY HAS FLEX-IBILITY TO ADJUST TO CHANGING MARKET CONDITIONS AND, CONTRARY TO LAST YEAR, WILL NOT BE PLAGUED BY CAPACITY AND MANPOWER RESTRAINTS. STILL,

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SOME STRUCTURAL ADJUSTMENTS WILL BE REQUIRED, UNEMPLOYMENT WILL RISE SOMEWHAT FROM PRESENT VERY LOW LEVELS, INFLATION MAY GO TO 15 PERCENT ON ANNUAL BASIS, AND BALANCE OF PAYMENTS WILL SUFFER FURTHER SERIOUS DETERIORATION WITH CONCOMMITANT PROBLEM OF FINANCING DEFICIT BY FOREIGN BORROWINGS. ALL FACTORS CONSIDERED, GNP WILL CONTINUE TO SHOW SOME GROWTH, WITH PROBABLE MAXIMUM IN 2.0-2.5 PERCENT RANGE AS COMPARED TO ESTIMATED 5.5 PERCENT IN 1973.

5. BACKGROUND: POLITICAL. PRESENT ECONOMIC UNCERTAINTIES AND STRAINS CAUSED BY ENERGY CRISIS ARE FURTHER COMPLICATED BY RESULTS OF DECEMBER GENERAL ELECTION WHICH DOUBLED NUMBER OF PARTIES IN PARLIAMENT TO TEN AND LED TO FORMATION OF WEAKEST MINORITY GOVERNMENT (MODERATE LIBERAL) IN DANISH HISTORY. PRESENT GOVERNMENT HAS PROPOSED HIGHLY CONTROVERSIAL AUSTERITY PROGRAM TO COMBAT PREENT AND ACCUMULATED ECONOMIC ILLS AND IS NOW FACED WITH CHOICE OF COMPROMISE OR CALLING FOR NEW ELECTIONS. UNDER CIRCUMSTANCES, STRONG ECONOMIC LEADERSHIP BY GOVERNMENT IS UNLIKELY, BUT, SINCE ECONOMY IS BASICALLY HEALTHY AND OPERATING AT HIGH LEVEL OF ACTIVITY, STRONG GOVERNMENT LEADERSHIP MAY NOT BE ESSENTIAL.
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IN ANY EVENT, THERE APPEARS TO BE BROAD CONSENSUS AMONG PRINCIPAL POLITICAL PARTIES ON MINIMUM MEASURES NECESSARY FOR PRESENT CIRCUMSTANCES. ON FOREIGN POLICY, PRESENT GOVERNMENT, WITH BROAD PARLIAMENTARY SUPPORT, MAINTAINS POSTURE OF PREVIOUS GOVERNMENTS ON FIRM COMMITMENT TO NATO, EC, UN, LIBERAL TRADE POLICY, FRIENDSHIP WITH US AND INTERNATIONAL COOPERATION GENERALLY.

6. ENERGY FACT SHEET. BEING SUBMITTED BY SEPARATE MESSAGE.
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